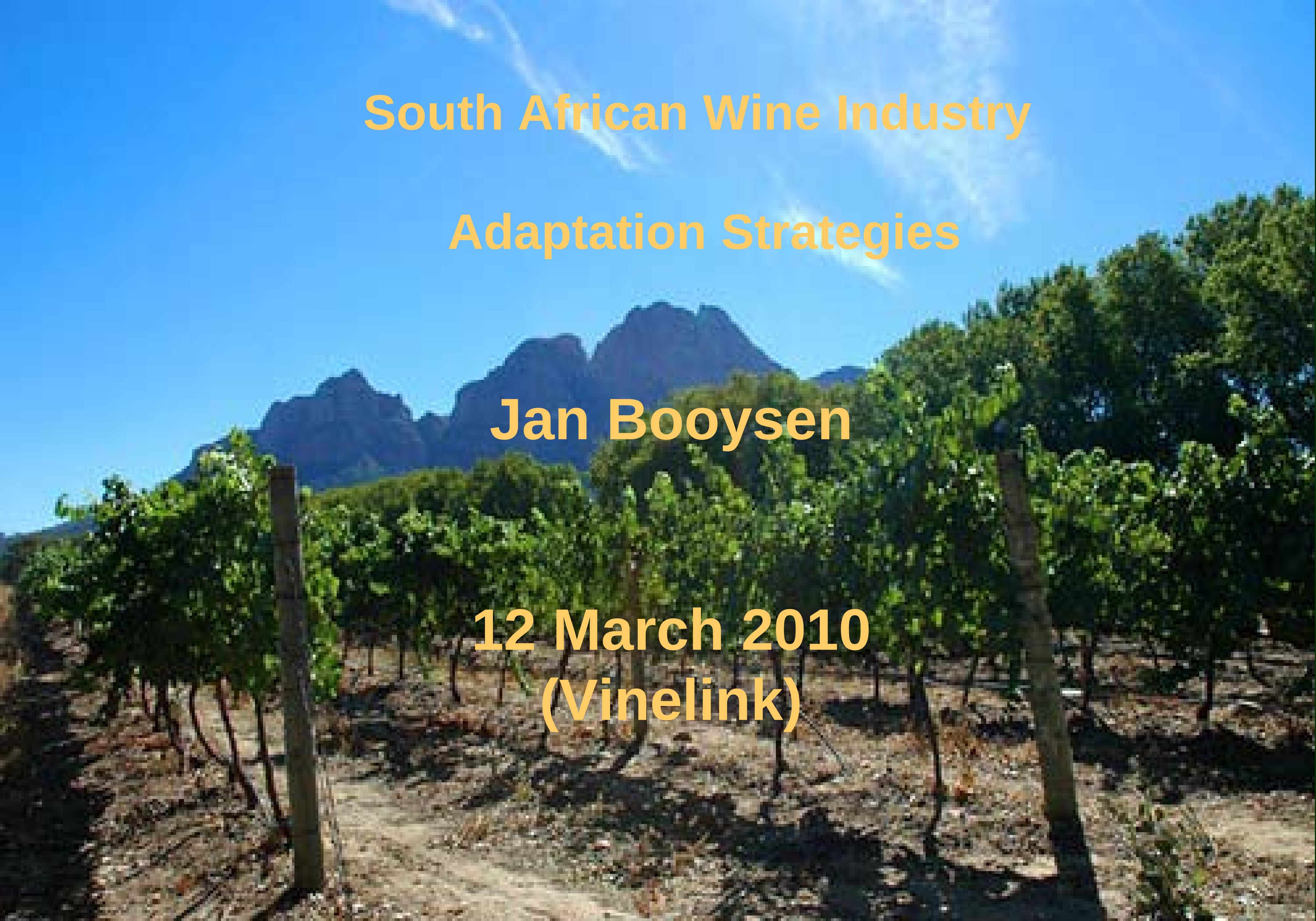

South African Wine Industry

Adaptation Strategies

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(Vinelink)

South African Wine Industry: Adaptation Strategies

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    - Profitability
    - Domestic market
    - Export market

Wine Industry Structure 2008

NUMBER OF PRIMARY GRAPE PRODUCERS 3 839	PER PRODUCTION CATEGORY	
	TONS	NUMBER OF PRODUCERS
	1 - 100	1 544
	> 100 - 500	1 423
	> 500 - 1000	498
	> 1000 - 5000	367
	> 5000 - 10000	7
		3 839
NUMBER OF WINE CELLARS # WHICH CRUSH GRAPES 585	58	PRODUCER CELLARS
	504	PRIVATE WINE CELLARS *
	23	PRODUCING WHOLESALERS
	585	
NUMBER OF BULK WINE BUYERS 118	47	WHOLESALERS (Including producing wholesalers)
	71	EXPORTERS (Buy wine for export only)
	118	

* 870 - Registered private wine producers as on 30 May 2009

International Comparison
Area under vines 2006

COUNTRY	AREA UNDER VINES - BEARING (WINE AND TABLE GRAPES)			WINE PRODUCTION (litres)		
	HECTARES	% OF TOTAL WORLD SURFACE AREA	RANK	WINE PRODUCTION	% OF TOTAL WORLD PRODUCTION	RANK
Spain	1 174 000	15.8	1	4 010 000 000	14.1	3
France	842 000	11.3	2	5 340 000 000	18.8	1
Italy	824 600	11.1	3	4 711 700 000	16.6	2
China	483 200	6.5	5	689 600 000	2.4	11
USA	379 200	5.1	6	2 338 000 000	8.2	4
Argentina	219 000	2.9	8	1 539 600 000	5.4	[illegible]
Chile	178 000	2.4	10	845 000 000	3.0	[illegible]
Australia	158 200	2.1	11	1 429 8[illegible]	[illegible]	[illegible]
South Africa	112 700	1.5	14	1 013 000 0[illegible]	[illegible]	[illegible]

SOURCE: AUSTRALIAN GLOBAL WINE STATISTICAL COMPENDIUM 1961 TO 2006

**3,1 % avg.
2000 - 2009**

Per capita consumption

DISTILLED PRODUCTS		
COUNTRY	LITRES AA	RANK
Russia	6.9	1
China	3.7	2
Hungary	3.4	3
Japan	3.1	4
Chile	2.0	11
USA	1.9	12
Australia	1.6	18
South Africa	0.9	29
Argentina	0.3	33

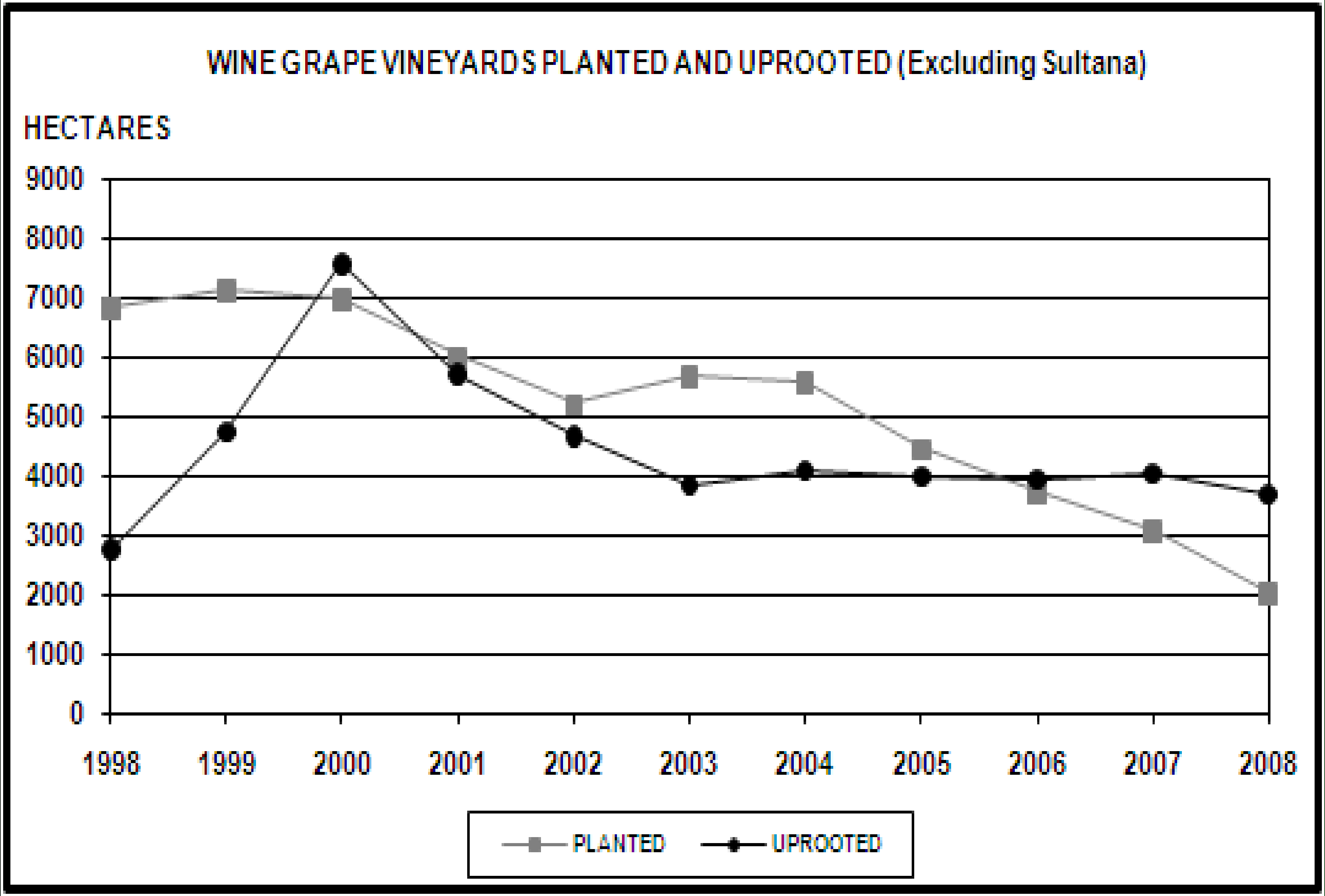
WINE		
COUNTRY	LITRES	RANK
France	53.9	1
Italy	47.2	2
Portugal	46.9	3
Croatia	42.3	4
Argentina	28.1	12
Australia	22.4	16
Chile	15.9	24
USA	8.5	26
South Africa	7.5	30

SOURCE: AUSTRALIAN GLOBAL WINE STATISTICAL COMPENDIUM 1961 TO 2006

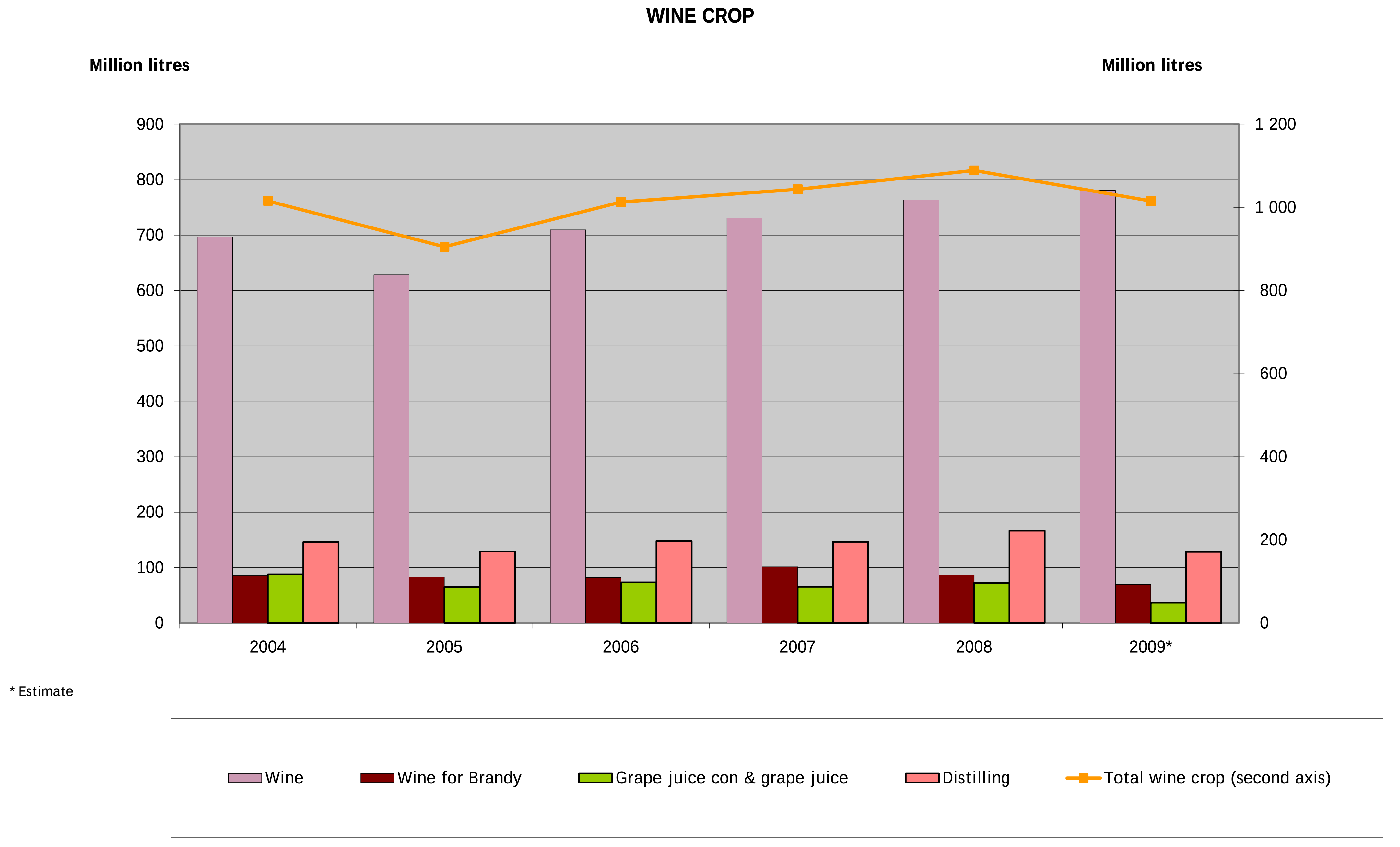
Total Hectares planted and uprooted

YEAR	HECTARES			
	PLANTED	UPROOTED	* CORRECTIONS	TOTAL STATUS
1998	6 834	2 737	- 1 463	89 935
1999	7 132	4 732	266	92 601
2000	6 989	7 565	1 631	93 656
2001	6 004	5 693	445	94 412
2002	5 206	4 659	1 274	96 233
2003	5 669	3 821	524	98 605
2004	5 562	4 069	109	100 207
2005	4 450	3 969	919	101 607
2006	3 730	3 917	726	102 146
2007	3 078	4 030	763	101 957
2008	2 015	3 667	1 020	101 325

* As a result of re-counting of vines as well as plantings and uprootings of previous years which were not previously taken into account.

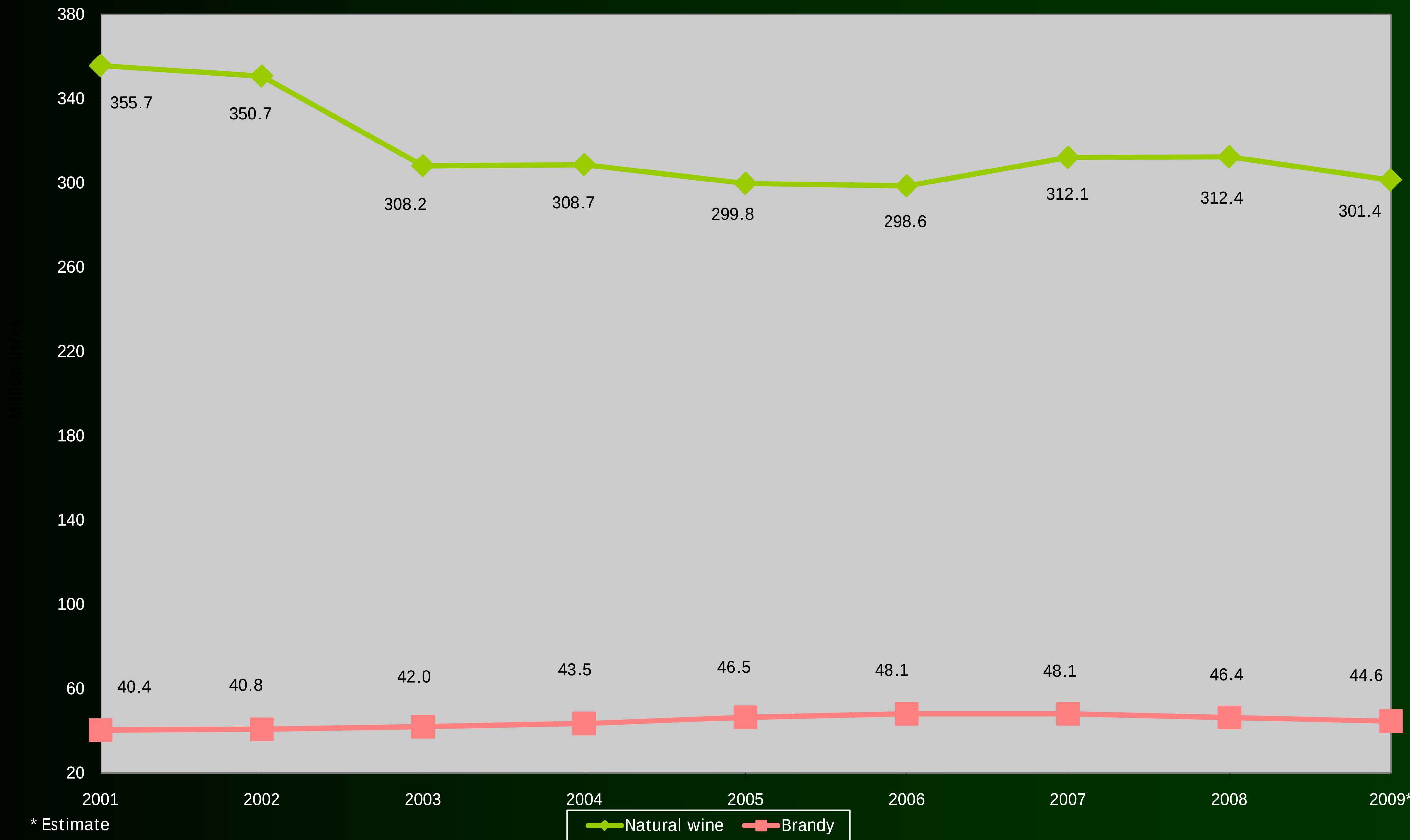

WINE GRAPE VINEYARDS PLANTED AND UPROOTED (Excluding Sultana)
HECTARES
9000
8000
7000
6000
5000
4000
3000
2000
1000
0
1998
1999
2000
2001
2002
2003
2004
2005
2006
2007
2008
PLANTED
UPROOTED

Production and utilization of crop



* Estimate

Domestic Sales



* Estimate

Exports

YEAR	NATURAL WINE	FORTIFIED WINE	SPARKLING WINE	TOTAL LITRES	TREND	EXPORT AS % OF WINE PRODUCTION
1997	107 972 398	1 265 296	805 048	110 042 742		20.1
1998	115 782 195	1 116 766	524 676	117 423 637	106.7	21.6
1999	126 263 186	695 535	809 619	127 768 340	108.8	21.4
2000	139 800 022	471 513	685 237	140 956 772	110.3	26.1
2001	175 978 105	548 388	779 299	177 305 792	125.8	33.4
2002	215 511 730	520 936	1 360 842	217 393 508	122.6	38.3
2003	236 374 105	525 789	1 564 707	238 464 601	109.7	33.5
2004	265 761 913	413 394	1 552 886	267 728 193	112.3	38.4
2005	279 128 331	406 982	1 537 824	281 073 137	105.0	44.7
2006	269 166 556	486 549	2 018 235	271 671 340	96.7	38.3
2007	309 355 571	405 696	2 779 364	312 540 631	115.0	42.8
2008	407 377 980	423 207	3 952 009	411 753 196	131.7	53.9

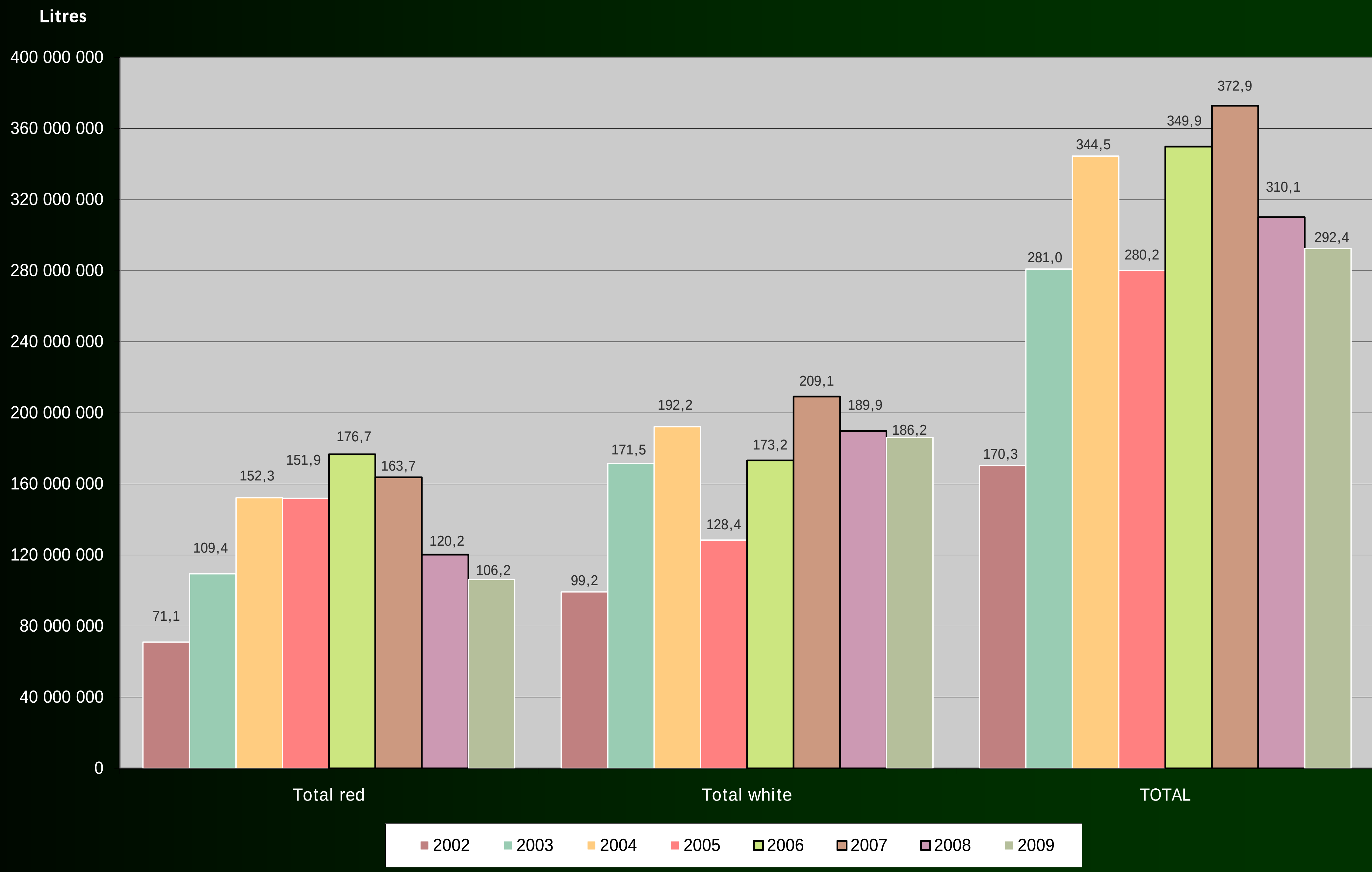
Estimated 2009 – 397 386 844 litres = 50,9% of wine production

Imports

YEAR	LITRES							LITRES AA					
	BEER	GRAPE JUICE	* NATURAL WINE	FORTIFIED WINE	SPARKLING	VERMOUTH	OTHER	LIQUEUR	BRANDY	WHISKY	RUM	GIN & VODKA	OTHER SPIRITS
1991	5 200 000	11 622	565 318	37	54 649	8 383	105 629	380 189	56 201	6 520 580	705 199	13 020	296 879
1992	7 000 000	2 155	517 462	31	97 533	6 768	190 212	255 694	52 900	7 370 842	672 290	25 601	247 806
1993	7 000 000	6 693	600 121	-	97 243	6 275	104 926	291 105	28 093	7 494 197	718 085	79 816	229 068
1994	10 300 000	-	378 166	36 603	68 285	-	11 880	74 381	29 096	8 129 850	629 813	35 357	511 919
1995	13 630 000	-	3 331 432	58 493	104 589	-	61 458	103 468	67 474	8 733 523	504 989	44 405	467 893
1996	17 820 000	1 547 571	16 382 778	148	182 394	66 586	309 023	687 144	74 185	7 936 635	735 533	72 310	10 004 410
1997	29 140 400	9	14 098 820	55 685	209 305	14 722	160 181	180 356	199 133	6 546 758	432 146	90 269	14 209 188
1998	40 250 000	-	8 245 482	22 365	105 797	40 296	91 260	114 311	1 644 445	4 367 618	404 612	81 673	8 056 329
1999	45 352 200	-	15 080 278	60 118	304 878	77 471	417 296	221 348	242 078	4 735 755	1 190 600	120 509	3 382 772
2000	46 428 500	-	7 753 414	79 893	110 804	123 218	100 320	123 858	488 954	4 935 085	698 435	95 710	311 310
2001	39 855 600	-	2 457 221	20 787	151 303	235 216	-	213 094	40 783	5 703 08[illegible]	[illegible]	44 087	243 410
2002	42 834 700	-	31 426 953	23 283	121 996	822 167	900	101 449	24 1[illegible]	[illegible]	[illegible]	[illegible]	2 465 085
2003	48 923 500	-	48 971 475	14 553	136 561	183 325	-	1 412 51[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	6 282 178
2004	80 000 000	-	2 305 544	33 492	315 672	116 956	22 860	145 062	[illegible]	[illegible]	[illegible]	[illegible]	4 848 176
2005	72 990 000	-	19 406 513	33 575	199 577	303 497	-	228 685	[illegible]	[illegible]	[illegible]	[illegible]	5 683 645
2006	86 457 900	-	18 765 375	32 807	273 183	153 998	-	247 67[illegible]	[illegible]	[illegible]	[illegible]632	[illegible]7 578	5 259 325
2007	155 463 000	-	13 320 978	24 447	755 972	166 821	-	266 262	134 [illegible]	8 085 924	1 016 145	89 923	5 079 355
2008	221 822 000	-	18 394 538	10 265	610 776	240 937	-	371 837	50 832	9 306 276	787 658	82 928	1 564 464

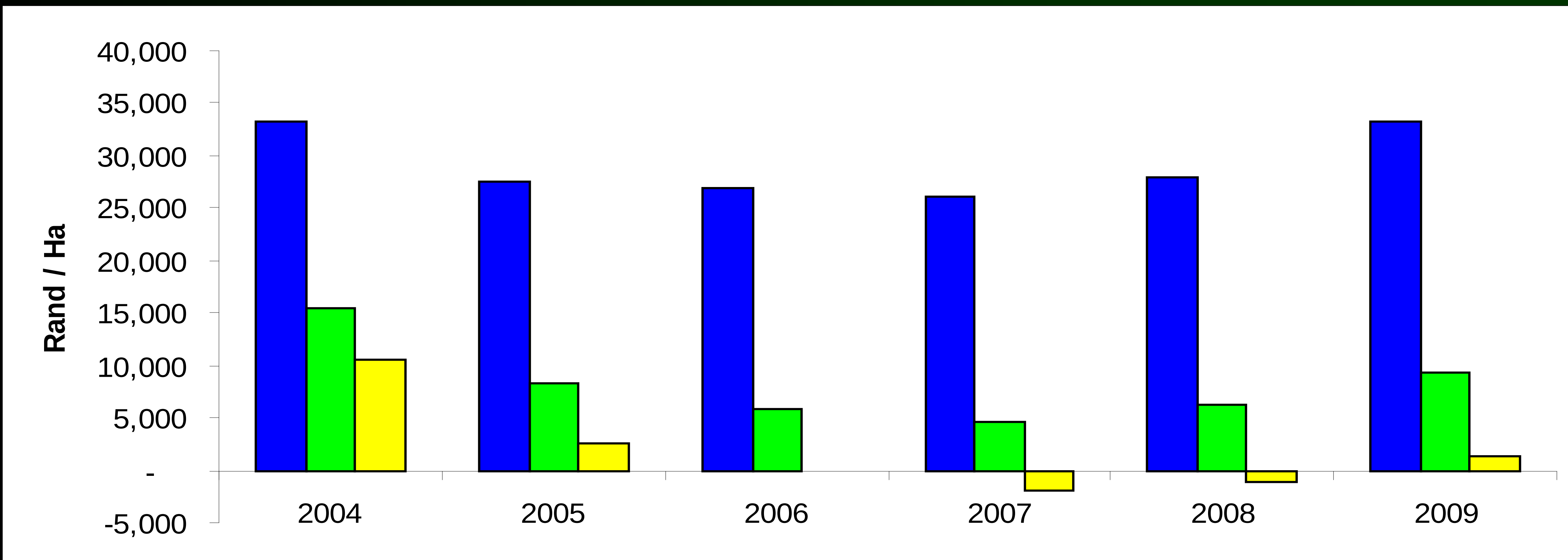
2% of domestic sales

Stock Situation of natural wine in the industry – October



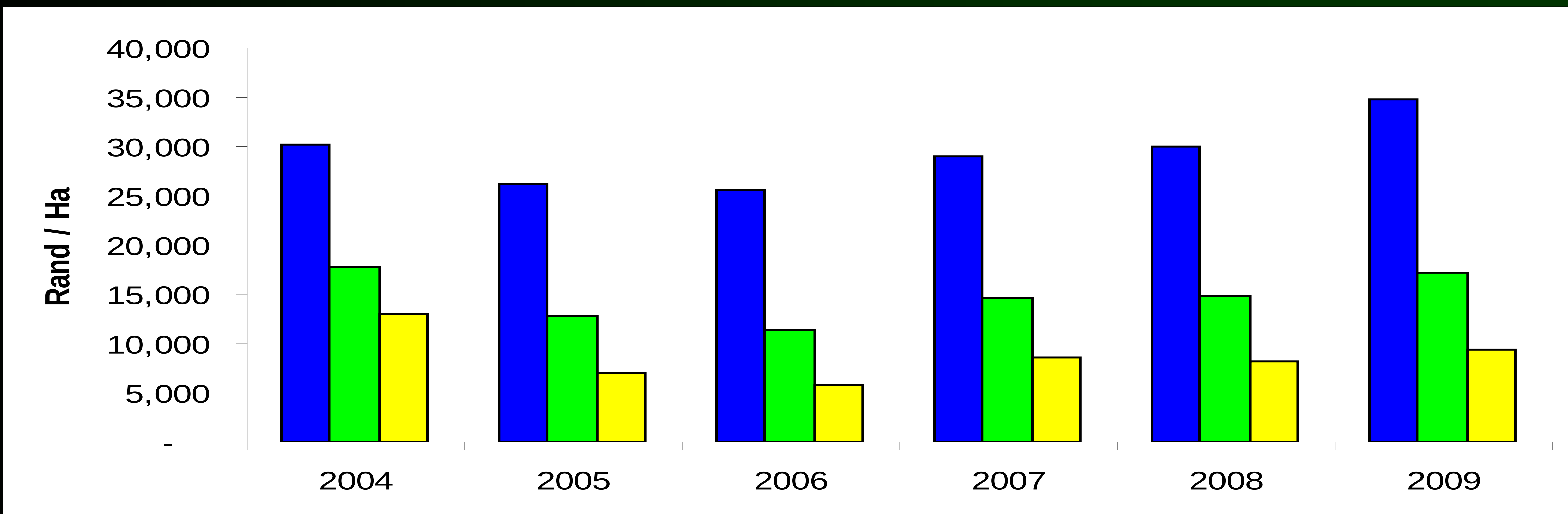
Profitability 2004 to 2009 - Stellenbosch

	2004	2005	2006	2007	2008	2009
Production (T/ Ha)	**7.12**	**6.88**	**7.30**	**7.05**	**7.32**	**7.68**
Gross Income (R / Ton)	**4,684**	**3,999**	**3,681**	**3,701**	**3,807**	**4,316**
Gross Income (R / Ha)	**33,350**	**27,513**	**26,871**	**26,092**	**27,867**	**33,169**
Cash expenditure	17,825	19,208	20,969	21,494	21,639	23,937
Gross Margin (R/Ha)	**15,525**	**8,305**	**5,902**	**4,598**	**6,228**	**9,232**
Provision for replacement	5,079	5,746	6,040	6,456	7,282	7,883
NFI (R/Ha)	**10,446**	**2,559**	**-138**	**-1,858**	**-1,054**	**1,349**



Profitability 2004 to 2009 - Robertson

	2004	2005	2006	2007	2008	2009
Production (T / Ha)	**15.19**	**13.89**	**14.06**	**15.56**	**15.59**	**15.64**
Gross Income (R / Ton)	**1,991**	**1,891**	**1,826**	**1,858**	**1,930**	**2,222**
Gross Income (R / Ha)	**30,243**	**26,266**	**25,674**	**28,910**	**30,089**	**34,752**
Cash expenditure	12,388	13,523	14,190	14,327	15,225	17,604
Gross Margin (R/Ha)	**17,855**	**12,743**	**11,484**	**14,583**	**14,864**	**17,148**
Provision for replacement	4,821	5,749	5,639	6,028	6,747	7,737
NFI (R/Ha)	**13,034**	**6,994**	**5,845**	**8,555**	**8,117**	**9,411**



Strategies

Profitability

- Add value - estate wines vs. cooperative
  - brand building
- Production for specific price points
  - minimize input costs
  - maximise production per hectare
  - maintain quality (quality/price ratio)

(shift from lower → higher production regions)

Domestic market

- Aim to increase sales (2009 down 5,0% vs. 2008)
- Concentrate on brand building

Strategies continue

Export market

- Build brand South Africa

- Increase exports to profitable countries (UK: volume sales up from 10,4% in 2008 → 12,3% in 2009).

- Increase percentage sold at higher price points

  £ 5 – 6,99 increased 15% in value 2009 vs. 2008

  £ 7 – 9,99 increased 27% in value 2009 vs. 2008

  > £ 10 increased 43% in value 2009 vs. 2008

- Increase bottle vs. bulk exports (add value)

  bottle sales up 7% 2009 vs. 2008

  bulk sales down 18% in 2009 vs. 2008